

01. Amount Recaptured. Depreciation shall be recaptured in full if a sale of a depreciated facility takes place within the first five (5) years of a seller's ownership. Credit shall be given for the period of ownership prior to January 1, 1982. For every year the asset is held beyond the first five (5) years, the total depreciation recaptured shall be reduced by ten percent (10%) per year of the total depreciation taken. (1-1-82)

02. Time Frame. Depreciation shall be recaptured by the Medicaid Program from the buyer of the facility over a period of time not to exceed five (5) years from the date of sale, with not less than one-fifth (1/5) of the total amount being recaptured for each year after such date. (1-1-82)

125. -- 149. (RESERVED).

150. RELATED PARTY TRANSACTIONS.

01. Principle. Costs applicable to services, facilities and supplies furnished to the provider by organizations or persons related to the provider by common ownership, control, etc., are allowable at the cost to the related party. Such costs are allowable to the extent that they relate to patient care, are reasonable, ordinary, and necessary, and are not in excess of those costs incurred by a prudent cost-conscious buyer. (1-16-80)

02. Cost Allowability - Regulation. Allowability of costs is subject to the regulations prescribing the treatment of specific items as outlined in 42 CFR 413.17, et al, and the Providers Reimbursement Manual, PRM Chapter 10 and other applicable chapters of the PRM. (7-1-99)T

151. APPLICATION.

01. Determination Of Common Ownership Or Control In The Provider Organization And Supply Organization. In determining whether a provider organization is related to a supplying organization, the tests of common ownership and control are to be applied separately. If the elements of common ownership or control are not present in both organizations, the organizations are deemed not to be related to each other. (1-16-80)

a. **Common Ownership Rule.** A determination as to whether an individual(s) possesses ownership or equity in the provider organization and the supplying organization, so that the organizations will be considered to be related by common ownership, will be made on the basis of the facts and circumstances in each case. (1-1-82)

b. **Control Rule.** The term "control" includes any kind of control whether or not it is legally enforceable and however it is exercisable or exercised. It is the reality of the control which is decisive, not its form or the mode of its exercise (see control definition in Subsection 151.07). (12-31-91)

02. Cost To Related Organizations. The charges to the provider from related organizations may not exceed the billing to the related organization for these services. (1-16-80)

03. Costs Not Related To Patient Care. All home office costs not related to patient care are not allowable under the Program. (1-16-80)

04. Interest Expense. Generally, interest expense on loans between related entities will not be reimbursable. See PRM and Chapters 2, 10 and 12 for specifics. (7-1-99)T

152. EXCEPTION TO THE RELATED ORGANIZATION PRINCIPLE.

An exception is provided to the general rule applicable to related organizations. The exception applies if the provider demonstrates by convincing evidence to the satisfaction of the intermediary: (1-16-80)

01. Supplying Organization. That the supplying organization is a bona fide separate organization; (1-16-80)

02. Nonexclusive Relationship. That a substantial part of the supplying organization's business activity of the type carried on with the provider is transacted with other organizations not related to the provider and the supplier by common ownership or control and there is an open, competitive market. (1-16-80)

153. SALES AND RENTAL OF HOSPITALS OR EXTENDED CARE FACILITIES.

The exception is not applicable to sales, lease or rentals of hospital facilities and nursing homes or extended care facilities. These transactions would not meet the requirement that there be an open, competitive market for the facilities furnished (PRM, Sections 1008 and 1012). (7-1-99)T

01. Rentals. Rental expense for transactions between related entities will not be recognized. Costs of ownership will be allowed. (1-16-80)

02. Purchases. When a facility is purchased from a related entity, the purchaser's depreciable basis shall not exceed the seller's net book value (PRM, Section 1005). (7-1-99)T

154. INTEREST EXPENSE.

Generally interest on loans between related entities is not an allowable expense. The loan will usually be considered invested capital. See PRM, Chapter 2 for specifics. (7-1-99)T

155. -- 199. (RESERVED).

200. REPORTING SYSTEM.

The objective of the reporting requirements is to provide a uniform system of periodic reports which will allow: (1-16-80)

01. Basis For Reimbursement. A basis of provider reimbursement approximating actual costs. (1-16-80)

02. Disclosure. Adequate financial disclosure. (1-16-80)

03. Statistical Resources. Statistical resources, as a basis for measurement of reasonable cost and comparative analysis. (1-16-80)

04. Criteria. Criteria for evaluating policies and procedures. (1-16-80)

201. PRINCIPLE.

The provider will be required to file mandatory annual cost reports. Additionally, at his option, he may file cost statements more often to meet cash flow requirements. (12-28-89)

202. APPLICATION.

01. Cost Report Requirements. The fiscal year end cost report filing must include: (12-28-89)

a. Annual income statement (two (2) copies); (1-16-80)

b. Balance sheet; (1-16-80)

c. Statement of ownership; (1-16-80)

d. Schedule of patient days; (1-16-80)

e. Schedule of private patient charges; (1-16-80)

f. Statement of additional charges to residents over and above usual monthly rate; and (1-16-80)

- g. Other schedules, statements, and documents as requested. (1-16-80)
- 02. Cost Statement Requirements.** Quarterly and short period cost statement filings must include: (12-28-89)
 - a. Filed not later than sixty (60) days after the close of the period. Reports received after this time will be accepted at the option of the Department. (1-16-80)
 - b. Statement of current costs to include at least one (1) quarter (or adjusted quarter, if applicable). Statement may also be filed for any period beginning and ending with quarters of the provider's fiscal year. Other reporting period may be requested. (1-16-80)
 - c. Schedule of patient days. (1-16-80)
 - d. Schedule of all patient charges. (1-16-80)
 - e. Other schedules, statements, and clarifications as requested. (1-16-80)
- 03. Special Reports.** Special reports may be required. Specific instructions will be issued, based upon the circumstance. (1-16-80)
- 04. Criteria.** All reports must meet the following criteria: (1-16-80)
 - a. State approved formats must be used. (1-16-80)
 - b. Presented on accrual basis. (1-16-80)
 - c. Prepared in accordance with generally accepted accounting principles and principles of reimbursement. (1-16-80)
 - d. Appropriate detail must be provided on supporting schedules or as requested. (1-1-82)
- 05. Preparer.** It is not required that any statement be prepared by an independent, licensed or certified public accountant. (1-16-80)
- 06. Reporting By Chain Organizations Or Related Party Providers.** Section 2141.7, PRM, Providers Reimbursement Manual prohibits the filing of combined or consolidated cost reports as a basis for cost reimbursement. Each facility so related must file a separate set of reports. These cost reports will be required for each level of organization that allocates expenses to the provider. Consolidated financial statements will be considered supplementary information and are not acceptable as fulfilling the primary reporting requirements. (7-1-99)T
- 07. Change Of Management Or Ownership.** To properly pay separate entities or individuals when a change of management or ownership occurs, the following requirements shall be met: (1-16-80)
 - a. Outgoing management or administration shall file an adjusted-period cost report. This report shall meet the criteria for annual cost reports, except that it shall be filed not later than sixty (60) days after the change in management or ownership. (12-28-89)
 - b. Incoming managers or owners shall be required to report on the same basis as a new provider (see Section 203). (12-31-91)
 - c. The Department may require an appraisal at the time of a change in ownership. (9-15-84)

203. REPORTING PERIOD.

When required for establishing rates, new providers will be required to submit three (3) quarterly cost statements, including one (1) adjusted-quarter report (if applicable), before the annual reporting option may be exercised. If a provider enters the program at some point in midquarter, his first quarter reporting dates will be adjusted to reflect not less than two (2) months operation nor more than four (4). Thereafter the normal reporting period would apply. If a provider withdraws from the program and subsequently re-enters, the new provider reporting requirements will apply. (7-1-99)T

204. FILING DATES.

01. Deadlines. Deadlines for filing quarterly cost statements will be sixty (60) days after the close of the quarter so reported. Deadlines for annual cost reports will be the last day of the third month following the fiscal year end or the deadline imposed by Medicare if the provider is required to file a Medicare cost report. (7-1-97)

02. Waivers. A delay of thirty (30) days may be granted for annual cost reports in unusual circumstances. Requests for such deferrals and reasons therefore must be in writing and should be made prior to the deadline. A written decision will be rendered in writing within ten (10) days. (7-1-97)

205. FAILURE TO FILE.

Failure to submit timely reports may result in a reduction in the interim rate. Failure to file the required cost reports, including required supplemental information, unless a waiver is granted, may result in a reduction of ten percent (10%) in the provider's interim rate(s) the first day of the month following the deadline date. Continued failure to comply will result in complete payment suspension on the first day of the following month. When suspension or reduction has occurred and the provider has filed the required cost reports, amounts accruing to the provider during the period of suspension or reduction will be restored. Loss of license or certification will result in immediate termination of reimbursement, full scope audit and settlement for the cost period. (7-1-97)

206. ACCOUNTING SYSTEM.

Reports must be filed using the accrual basis and conform with generally accepted accounting principles or within provisions of the guidelines as specified. In any case, the recorded transaction must be capable of verification by Departmental audit. (1-16-80)

207. AUDITS.

All financial reports are subject to audit by Departmental representatives (see Sections 350 through 399). (12-31-91)

208. REPORTING FORMS.

Unless prior approval is granted, only state forms will be acceptable. Requests for approval of alternate forms must be in writing accompanied by samples. Such requests will not be considered adequate reason for late filing, or granting of a waiver, except in extraordinary circumstances as determined by the intermediary. Following is a partial listing of the account titles used on the state forms. Included also is an explanation of the classification and reporting standards applicable to that account. The report form may be revised periodically to meet changing Department and provider needs and may be in electronic format at the discretion of the Department. Reported costs shall only include allowable costs unless the Department structures the report to remove nonallowable costs by cost groupings, in which case, reported total and subtotal costs shall reflect net allowable costs except for the nonreimbursable section of the report. (7-1-97)

01. Revenues. The categories are self-explanatory. They are intended to give sufficient breakdown of revenues to effect the reasonable cost principles embodied in the cost reporting system. Facilities may also use the cost center approach of the statement to evaluate the expense of certain cost centers in respect to their revenue. (1-16-80)

02. Expenses.

a. Administrative.

(12-31-91)

i. Salaries: Administrator. Included in this category are salaries paid for administrators and assistant administrators of the facility. Any compensation in excess of the amount allowable under other provisions of this chapter shall be entered in the nonreimbursable Section of the cost statement (see Subsection 110.17 of these rules).

(7-1-97)

ii. Salaries: Office and Clerical. Salaries and wages paid to clerks, bookkeepers, and others whose duties relate to overall operation of the facility, should be included in this account.

(1-16-80)

iii. Payroll Taxes. The provider's portion of payroll taxes for all employees except those taxes related to the payroll for persons providing day treatment services to ICF/MR patients shall be included in the report categories provided for such costs. Payroll taxes for employees providing day treatment services to ICF/MR patients shall be reported in categories provided for these expenses. Self employment taxes related to owners are nonallowable and should not be included.

(7-1-97)

iv. Employee Benefits. Expenses incurred such as sick pay and vacation pay should be included in this account except for those expenses relating to persons providing day treatment services for ICF/MR patients. Employee benefits for these employees should be reported in cost categories provided for those expenses.

(7-1-97)

v. Accounts Collections. The expenses related to collection of past due program accounts such as legal fees, bill collectors, etc., are allowable. Allowances for bad debts and bad debt write-off are not allowable, and should be included in the Section titled Nonreimbursable Expenses.

(4-28-89)

vi. Auto and Travel. These expenses shall be those incurred in the operation of vehicles and other travel expense related to patient care. Normally, entertainment shall not be involved, but shall be recorded in the Section under Nonreimbursable Expenses (see PRM, Chapter 21).

(7-1-99)T

vii. Bank and Finance Charges. Normally recurring minor charges for handling of accounts shall be included here.

(1-16-80)

viii. Dues, Licenses and Subscriptions. Subscriptions to periodicals related to patient care or for general patient use, license fees (not including franchises), and dues to professional health care organizations are to be included. Dues, tuitions and educational fees to facilitate quality health care services are includable where the provisions of PRM, Section 400, are met.

(7-1-99)T

ix. Employee Recruitment. Costs of advertising for new employees shall be recorded in this account including applicable entertainment costs.

(1-16-80)

x. Home Office Costs. Costs allocated by related entities for various services shall be included in this account.

(1-16-80)

xi. Malpractice/Public Liability Insurance. Premiums for malpractice and public liability insurance shall be included in this account.

(1-16-80)

xii. Purchased Services. Costs of legal, accounting, and management services (not including related entities) for overall operations shall be included in this account.

(1-16-80)

xiii. Supplies and Rentals. Cost of supplies, postage, ledger sheets, and rental of minor office equipment shall be included in this account.

(1-16-80)

xiv. Telephone and Communications. Cost of telephone and related communications shall be included in this account. (1-16-80)

xv. Interest, Working Capital. Allowable interest expense for loans not related specifically to the purchase of the real or personal property of the provider shall be reported here. (1-1-82)

xvi. Miscellaneous. Any expense not properly allocable to other cost centers and not properly classified in other classification of administration expenses shall be included here. (1-16-80)

b. Property. Property costs shall be reported by all facilities including those facilities which are reimbursed a property rental rate. (11-4-85)

i. Amortization. Amortization of leasehold improvements shall be included here. Certain others may be included here also. (1-16-80)

ii. Depreciation on Fixed Assets. Depreciation expenses for buildings and fixtures should be included here. Any depreciation in excess of straight line AHA lives shall not be included unless otherwise waived by the Department. Such excess shall be included in the Section of Nonreimbursable Expenses. (7-1-97)

ii. Depreciation of Equipment. Depreciation expense for moveable equipment shall be included here. Excess depreciation as defined above shall be included in the Nonreimbursable Section (see Subsection 354.04.c.). (12-31-91)

iv. Interest Expense. Interest expense related to purchase of land, buildings and equipment related to patient care shall be included here only if it is payable to unrelated entities. Generally, interest payable to related entities shall be included in the Nonreimbursable Section (PRM, Section 202.3). (7-1-99)T

v. Insurance. Insurance premiums for property insurance such as fire and glass shall be includable here. (1-16-80)

vi. Lease and Rental Payments. Payments for lease or rental of buildings, land and for equipment shall be includable here. (1-16-80)

vii. Taxes. Taxes on property related to patient care shall be recorded in this account. (1-16-80)

c. Patient Care Service. (1-16-80)

i. Nursing Care. (1-16-80)

(1) Salaries. Director of Nursing. Salaries or wages of the Director of Nursing shall be included here. (1-16-80)

(2) Registered Nurse. Salaries and wages of registered nurses shall be included in this account. Payroll taxes shall not be included but overtime shall be. (1-16-80)

(3) Licensed Professional Nurses. Wages for licensed professional nurses shall be included in this account including overtime, but not including payroll taxes. (1-16-80)

(4) Aides/Orderlies. Normal overtime and wages for aides and orderlies, not to include payroll taxes, shall be included in this account. (1-16-80)

(5) Contracted Services. Payments for patient health care services under contract shall be entered here. (1-16-80)

- ii. Therapy Services. (1-16-80)
 - (1) Salaries. Salaries for all therapy personnel shall be recorded here. (1-16-80)
 - (2) Professional Services. Payments for contracted therapy services shall be recorded here. (1-16-80)
 - (3) Supplies and Miscellaneous. Expenses for supplies and miscellaneous expenses related to therapy and recreational therapy services shall be recorded here. (1-16-80)
- iii. Social Services. (1-16-80)
 - (1) Salaries. Wages and salaries for activity directors and social services personnel shall be recorded here. (1-16-80)
 - (2) Contracted Services. Payments under contract arrangement for activities director or other social services personnel shall be included here. (1-16-80)
- iv. Payroll Taxes and Employee Benefits. The payroll taxes and cost of employee benefits related to the salaries reported in Section 208 of these rules should be reported here. (7-1-97)
- v. Costs Not Subject to the Percentile Cap. (12-31-91)
 - (1) Special Needs. Those costs determined by the Department and authorized under Section 56-117, Idaho Code, will be excluded from other reported costs and will be reported here (see Subsection 254.08). (12-31-91)
 - (2) Excluded Costs. Increases in costs otherwise subject to a cap incurred by facilities as a result of changes in legislation or regulations will be excluded from costs reported in categories subject to the cap and will be reported here (see Subsection 254.09). (7-1-97)
- d. Facility Operations and Services. (1-16-80)
 - i. Central Supply. (1-16-80)
 - (1) Salaries: Pharmacist. Salaries and wages of pharmacists who are regular employees of the facility shall be included here, but are not reimbursable. (1-16-80)
 - (2) Salaries. Salaries and wages of others, such as stock clerks, shall be recorded here. (1-16-80)
 - (3) Contracted Services. Payments for services under contract will be recorded in this category, not including pharmaceutical services. (1-16-80)
 - (4) Supplies and Miscellaneous. Miscellaneous expenses and routine nursing supplies such as laxatives, aspirin, and dressings shall be recorded here; the cost of oxygen concentrators may also be recorded here. Cost of prescription drugs must not be included. (12-28-89)
 - ii. Laundry and Linen. (1-16-80)
 - (1) Salaries. Salaries and wages for personnel involved in laundry operations shall be recorded here. (1-16-80)
 - (2) Purchased Services. Costs of contracted linen services shall be recorded here. (1-16-80)

(3) **Linens and Bedding.** Purchase of sheets, mattress pads, blankets, towels, etc., shall be entered here. Costs of beds and mattresses are capitalizable and should be treated accordingly. (1-16-80)

(4) **Miscellaneous Expenses.** Miscellaneous expenses not properly classified in other areas of Section 208 should be included in this account. (12-31-91)

- e. **Dietary.** (1-16-80)
- i. **Salaries: Dietitian.** Wages of a dietitian who is a regular employee shall be included here. (1-16-80)
- ii. **Salaries: Other.** Salaries of cooks and other dietary personnel should be recorded here. (1-16-80)
- iii. **Purchased Services.** Payments for contracted dietary services, or dietitians, shall be included here. (1-16-80)
- iv. **Food.** Cost of food used for the period will be included here not including vending machine items. For purposes of reasonable cost evaluation, revenues from meals sold to nonpatients will reduce food costs and should be reported in the revenue Section. (1-16-80)
- v. **Supplies.** Cost of dietary supplies other than food should be recorded here. Do not include vending machine items. (1-16-80)
- f. **Plant Operations and Maintenance.** (1-16-80)
- i. **Salaries.** Wages of all housekeeping and maintenance employees shall be included in this account. (1-16-80)
- ii. **Repairs and Maintenance.** Cost of minor repairs to buildings and equipment shall be recorded here. (1-16-80)
- iii. **Purchased Services.** Costs of maintenance and repair services purchased under contract arrangements shall be recorded here. 1-16-80)
- iv. **Utilities.** Expenses for heat, electricity, water and sewer shall be included in this account. (9-15-84)
- v. **Supplies and Miscellaneous.** Expense of supplies and other unclassified expenses should be included here. (1-16-80)
- g. **Nonreimbursable Expenses.** This classification of expenses is provided to reconcile your cost statement to books of record. It will also help the facility to determine its reasonable costs and anticipate its revenues. Routine business expenses not includable in the reasonable cost formula are to be recorded in Section 208. The account titles are indicative of these costs which are commonly found. (12-31-91)

03. Home Office Reporting. The purpose of the provisions of Section 208, is to support the costs allocated to the provider facility. A report is required for each level of organization which allocates costs to the provider, directly or indirectly. (7-1-97)

209. -- 239. (RESERVED).

240. PROSPECTIVE RATES FOR ICF/MR.

Sections 240 through 247 of these rules provide procedures and specifications necessary to implement the provisions and accomplish the objectives of the payment system for ICF/MR providers. Total payment will include

the following components: Property reimbursement, capped costs, an efficiency increment, exempt costs, excluded costs. (7-1-99)T

241. PRINCIPLE.

Providers of ICF/MR facilities will be paid a per diem rate which, with certain exceptions, is not subject to an audit settlement. The per diem rate for a fiscal period will be based on audited historical costs adjusted for inflation. The provider will report these cost items in accordance with other provisions of this chapter or the applicable provisions of PRM to the extent not inconsistent with this chapter. (7-1-99)T

242. PROPERTY REIMBURSEMENT.

Beginning October 1, 1996, ICF/MR property costs are reimbursed by a rental rate or based on cost. The following shall be reimbursed based on cost as determined by the provisions of this chapter and applicable provisions of PRM to the extent not inconsistent with this chapter: ICF/MR living unit property taxes, ICF/MR living unit property insurance, and major movable equipment not related to home office or day treatment services. Reimbursement of other property costs is included in the property rental rate. Any property cost related to home offices and day treatment services are not considered property costs and shall not be reported in the property cost portion of the cost report. These costs shall be reported in the home office and day treatment section of the cost report. Property costs, including costs which are reimbursed based on a rental rate, shall be reported in the property cost portion of the cost report. The Department may require and utilize an appraisal to establish those components of property costs which are identified as an integral part of an appraisal. Property costs include the following components: (7-1-99)T

01. Depreciation. Allowable depreciation based on straight line depreciation. (7-1-97)

02. Interest. All allowable interest expense which relates to financing depreciable assets. Interest on working capital loans is not a property cost and is subject to the cap. (7-1-97)

03. Property Insurance. All allowable property insurance. Malpractice insurance, workmen's compensation and other employee-related insurances are not property costs. (7-1-97)

04. Lease Payments. All allowable lease or rental payments. (7-1-97)

05. Property Taxes. All allowable property taxes. (7-1-97)

06. Costs Of Related Party Leases. Costs of related party leases are to be reported in the property cost categories based on the owner's costs. (7-1-97)

243. ICF/MR CAPPED COST.

Beginning October 1, 1996, this cost area includes all allowable costs except those specifically identified as property costs in Section 242 and exempt costs or excluded costs in Section 246 or 247 of these rules. This Section defines items and procedures to be followed in determining this limit and provides the procedures for extracting cost data from historical cost reports, applying a cost forecasting market basket to project cost forward, procedures to be followed to project costs forward, and procedures for computing the median of the range of costs and the ICF/MR cap. (7-1-97)

01. Costs Subject To The Cap. Items subject to the cap include all allowable costs except property costs identified in Section 242 and exempt costs or excluded costs identified in Section 246 or 247 of these rules. Property costs related to a home office are administrative costs, shall not be reported as property costs, and are subject to the cap. (7-1-97)

02. Per Diem Costs. Costs to be included in this category will be divided by the total patient days for the facility for the cost reporting period to arrive at allowable per diem costs. If costs for services provided some or all non-Medicaid residents are not included in the total costs submitted, the provider must determine the costs and combine them with the submitted costs in order that a total per diem cost for that facility can be determined both for the purpose of determining the ICF/MR cap and for computing final reimbursement. (7-1-97)

03. Cost Data To Determine The Cap. Cost data to be used to determine the cap for ICF/MR facilities will be taken from each provider's most recent final cost report available sixty (60) days before the beginning of the period for which the cap is being set. Cost reports are final when the final audit report is issued, or earlier if the Department informs the facility the report is final for rate setting purposes. The selected final cost report will be used to establish the facility's prospective reimbursement rate. However, the final cost reports covering a period of less than twelve (12) months will be included in the data for determining the cap at the option of the Department. (7-1-97)

04. Projection. Per diem allowable costs will be inflated forward using a cost forecasting market basket and forecasting indices according to the same table as used for free standing facilities in Subsection 254.04.a. of these rules. (7-1-97)

a. The projection method used in this Section to set the cap will also be used to set non property portions of the prospective rate which are not subject to the cap. (7-1-97)

b. Forecasting indices as developed by Data Resources, Incorporated, will be used unless they are unavailable. In such case, indices supplied by some other nationally recognized forecaster will be used. (7-1-97)

05. Costs Which Can Be Paid Directly By The Department To Non ICF/MR Providers. Costs which can be paid directly by the Department to non ICF/MR providers are excluded from the ICF/MR prospective rates and ICF/MR cap: (7-1-97)

a. Direct physician care costs. Physicians who provide these services must bill the Medicaid program directly using their own provider numbers. (7-1-97)

b. Costs of services covered under the Early and Periodic Screening Diagnosis and Treatment (EPSDT) portion of the Medicaid Program. These services are enumerated in IDAPA 16 Title 03, Chapter 09, "Rules Governing Medical Assistance," and include such items and services as eyeglasses, hearing aids, and dental services provided to Medicaid recipients under the age of twenty-one (21). The cost of these services is not includable as a part of ICF/MR costs. Reimbursement can be made to a professional providing these services through his billing the Medicaid Program on his own provider number. (7-1-97)

c. Costs of services covered by other parts of the Medicaid Program. Examples of these items include legend drugs and ambulance transportation. These items must be billed to the Medicaid Program directly by the provider using his own provider number. (7-1-97)

06. Cost Projection. Allowable per diem costs will be projected forward from the midpoint of the Base Period to the midpoint of the Target Period. "Base Period" is defined as the last available final cost report period. "Target Period" is defined as the effective period of the prospective rate. Procedures for inflating these costs are as follows: (7-1-97)

a. The percentage change for each cost category in the market basket will be computed from the beginning to the end of the Base Period. These percentages will then be divided by two (2) and the resultant percentages will be used to project forward allowable per diem costs for each cost category from the midpoint to the end of the Base Period. (7-1-97)

b. The percentage change for each cost category in the market basket will be computed for the period from the end of the Base Period to the beginning of the Target Period. These percentages will then be used to project forward the allowable per diem costs for each cost category, as determined in Subsection 243.06.a. of these rules, from the end of the Base Period to the beginning of the Target Period. (7-1-97)

c. The percentage change for each cost category in the market basket will be computed for the beginning to the end of the Target Period. These percentages will then be divided by two (2) and the resultant